

Personal Contributions for Social Insurance

Personal contributions for social insurance includes the payments by employees, by the self-employed, and by other individuals who participate in the following programs: Old-age, survivors, and disability insurance (OASDI) (social security); hospital insurance (HI) and supplementary medical insurance (SMI) (medicare); State unemployment insurance (UI); temporary disability insurance; government employee retirement; railroad retirement; and veterans life insurance.

These contributions accounted for about 4.3 percent of personal income at the national level in 2000 (table H).

The payments by employees include the payments that are sometimes made by employers on behalf of their employees (that is, the payments that are customarily made by the employee and that under special arrangement are made by the employer).

The payments by the self-employed are paid with their quarterly payments of estimated Federal income taxes. Most of the payments by employees--like the payments of individual income taxes on wages and salaries--are withheld at the source of the disbursement of the wages and salaries. However, in the calculation of personal income, the treatment of the payments of contributions differs from the treatment of the tax payments. Personal contributions are excluded from personal income: They are subtracted from the sum of the other components of personal income.¹ In contrast, the tax payments are treated as part of personal income--as though the income from which the payments are withheld were first received by the employee and then paid to the government; this treatment is consistent with the definition of personal income as a before-tax measure.

1. See "Personal contributions for social insurance" and "Wage and salary disbursements" in the "Glossary."

The State estimates of the contributions for OASDI and HI that are made by the self-employed, of the contributions for State and local government employee retirement, and of the contributions for State UI and for temporary disability insurance are based on data for these contributions.

The State estimates of the contributions for OASDI and HI by private sector employees and by Federal civilian employees are each based on the geographic distribution of the State estimates of wage and salary disbursements for these employees. The State estimates of the contributions by military personnel are based on the geographic distribution of the estimates of military wage and salary disbursements excluding pay-in-kind.

The State estimates of the contributions for OASDI and HI by state and local government employees for 1991-2000 are based on the State estimates for 1987, which reflect the geographic distribution of employer contributions (assumed to be identical to employee contributions) for OASDI and HI as reported in the 1987 Census of Government. The 1987 State estimates were extrapolated to 1991-2000 by the relative change in the estimates of State and local government wage and salary disbursements.

County data for the contributions for all programs are unavailable; therefore, the State estimates of these contributions are allocated to counties by related economic series. The State estimates of the contributions for all programs except SMI, veterans life insurance, State UI, and temporary disability insurance are allocated to counties by the appropriate wage and salary series or by the proprietors' income series.

The 1991-2000 State estimates of the contributions for SMI are allocated to counties by tabulations of the number of persons enrolled in the program from the Health Care Financing Administration.

The 1991-2000 State estimates of contributions for veterans life insurance are allocated to

counties in proportion to the 1990 veteran population, and the 1991-2000 State estimates of contributions for State UI and for temporary disability insurance, in proportion to the 1990 civilian population 18 years and over; both sets of source data are from the 1990 Census of Population.

Table H.--Relative Importance to Personal Income of Personal Contributions
for Social Insurance, by Component, United States, 2000

	Millions of dollars	Percent of personal income
Personal income /1/..	8,314,032	100.00
Less: Personal contributions for social insurance..	357,146	4.30
Contributions to old age, survivors, disability, and hospital insurance..	332,968	4.00
Civilian employee contributions..	296,334	3.56
Military employee contributions..	2,682	0.03
Self employed contributions..	33,952	0.41
Railroad employee retirement contributions..	1,395	0.02
State unemployment insurance and temporary disability contributions..	1,751	0.02
Supplementary medical insurance contributions..	20,410	0.25
Veterans life insurance contributions..	622	0.01

1. This total is as shown in Tables A and C-F, that is, personal income is shown as the sum of the personal income components in those tables less personal contributions for social insurance.

NOTE.--Personal contributions for social insurance are a deduction to arrive at personal income, the dollar amount and the percentages in this table are shown as absolute values to give an indication of the size of the personal contributions components being estimated.

Detail may not add to totals due to rounding.